

# State Tax Commission

Analyst: Houston

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2006 Total App</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Approp</b>	<b>FY 2008 Request</b>	<b>FY 2008 Gov Rec</b>
<b>BY PROGRAM</b>					
General Services	9,126,500	9,553,200	8,459,600	9,017,400	8,885,200
Audit and Collections	15,762,100	15,093,800	15,248,200	16,029,500	15,729,600
Revenue Operations	5,413,700	5,318,600	5,711,300	5,780,500	5,298,800
County Support	3,219,600	3,353,100	3,223,200	3,448,500	3,403,900
<b>Total:</b>	<b>33,521,900</b>	<b>33,318,700</b>	<b>32,642,300</b>	<b>34,275,900</b>	<b>33,317,500</b>
<b>BY FUND CATEGORY</b>					
General	24,958,800	24,873,800	24,857,600	27,591,100	26,745,300
Dedicated	8,563,100	8,370,600	7,784,700	6,684,800	6,572,200
Federal	0	74,300	0	0	0
<b>Total:</b>	<b>33,521,900</b>	<b>33,318,700</b>	<b>32,642,300</b>	<b>34,275,900</b>	<b>33,317,500</b>
Percent Change:		(0.6%)	(2.0%)	5.0%	2.1%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	23,922,500	23,332,400	23,039,600	24,477,100	24,032,700
Operating Expenditures	9,425,100	9,423,600	8,375,400	9,451,100	8,944,900
Capital Outlay	174,300	562,700	1,227,300	347,700	339,900
<b>Total:</b>	<b>33,521,900</b>	<b>33,318,700</b>	<b>32,642,300</b>	<b>34,275,900</b>	<b>33,317,500</b>
Full-Time Positions (FTP)	410.50	410.50	413.50	416.50	413.50

## Division Description

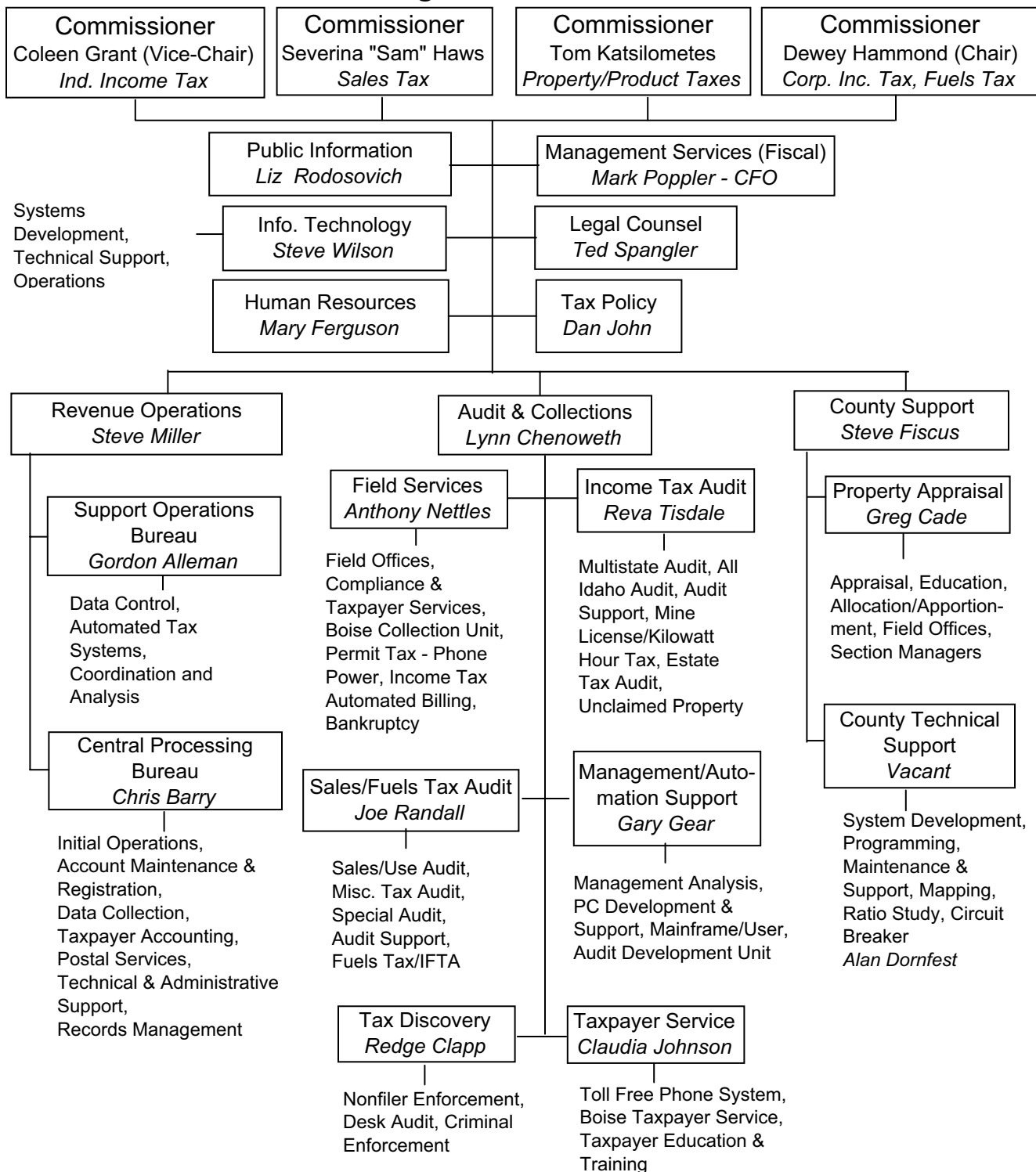
The State Tax Commission has four budgeted programs: General Services, Audit and Collections, Revenue Operations, and County Support. 1.) The General Services program consists of the Commissioners, Administrative Section, Legal Section, Tax Policy Section, Information Technology Section, and the Management Services Division. This organizational structure provides for centralized management, policy development, legal, personnel, fiscal and computer services. 2.) The Audit and Collections program provides direct taxpayer service to the public from the administrative office in Boise and five field office locations; collects delinquent taxes and conducts audits on virtually all tax types administered by the agency by authority of Idaho Code and the Multi-State Tax Compact; conducts discovery and enforcement efforts directed at non-filers and administers Idaho's unclaimed property statutes. 3.) Revenue Operations administers the voluntary tax compliance program. Activities include: a) registering permit holders for sales, withholding, hotel/motel, special fuels, beer, wine, cigarette and tobacco taxes; b) ensuring that all individuals and licensed businesses are mailed proper tax forms for reporting; c) establishing taxpayer liability, as well as processing revenue and refund documents submitted by taxpayers; and d) maintaining a records system capable of providing individuals with tax documents. 4.) The County Support Program provides oversight and technical support in the administration of the property tax system, working to ensure fair, equitable, and accurate property taxation. The program is responsible: to annually appraise all class three operating property, as required by Section 63-2215, Idaho Code; to examine property tax levies of all taxing districts to ensure compliance with Idaho Code; to develop forms, procedures and computer software necessary for county assessors to appraise property; to develop an assessor's manual in order to facilitate uniformity of appraisals; and to administer property tax relief through the Circuit Breaker program.

# Tax Commission

## Agency Profile

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### Organizational Chart



# Department of Revenue and Taxation

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## Agency Profile

Sources of Funds	FY 2006 Expenditures	Percent of Total	FY 2007 Appropriation	FY 2008 Request
<b>1. General Fund</b>	\$24,873,800	74.7%	\$24,857,600	\$27,591,100
The General Fund consists of, "moneys received into the treasury and not specially appropriated to any other fund" (§67-1205). The fund sources are: 1) individual income tax, 2) corporate income tax, 3) sales tax, 4) cigarette tax, 5) beer tax, 6) wine tax, 7) liquor revenues, 8) kilowatt hour tax, 9) mine license tax, 10) Treasurer's interest on investments of certain idle state funds, 11) court fees and fines, 12) insurance premium tax, 13) sale of alcoholic beverage licenses, 14) unclaimed property, 15) articles of incorporation and uniform commercial code filing fees, 16) estate and transfer tax, and 17) other miscellaneous sources from various agency receipts.				
<b>2. Economic Recovery Reserve Fund</b>	1,709,300	5.1%	1,172,200	0
The \$0.29/pack increase in the Cigarette Tax is deposited in this fund for FY05 and FY06.				
<b>3. Multistate Tax Compact</b>	1,694,900	5.1%	1,740,400	1,816,100
Moneys collected as direct result of audits conducted by the Multistate Tax Commission (on behalf of the state of Idaho) shall be paid by the State Tax Commission into the Multistate Tax Compact Fund. The Multistate Tax Compact was formed to determine the tax liability of multistate taxpayers, promote uniformity or compatibility in tax systems, and facilitate taxpayer convenience and compliance in the filing of tax returns and avoid duplicative taxation across states (§63-3709).				
<b>4. Administration and Accounting Fund</b>	330,300	1.0%	236,200	255,000
The State Tax Commission is directed to retain funds for the Commission's cost of collecting and administering the moneys of certain trust funds. For the following trust funds the annual amount is three thousand dollars (\$3,000) or twenty percent (20%), whichever is less (§63-3067A&B(d)): 1) The Fish and Game Trust Fund (0051) and 2) The Children's Trust Fund (0483).				
On other taxes, the State Tax Commission is authorized to retain an amount of money equal to the cost of collecting and administering them. The amount retained can not exceed the amount authorized to be expended by appropriation by the Legislature. Those taxes are: 1) Idaho Travel and Convention Tax (0212) (§67-4718), 2) Illegal Drug Tax (0281) (§63-4209), 3) Boise Auditorium District (0630) (§67-4917C), 4) Petroleum Clean Water Trust Fund (0130) (§41-4909), and 5) Local Option Sales Tax (0630) (§63-2605).				
<b>5. Administration Services for Transportation</b>	3,679,300	11.0%	3,631,400	3,587,700
The State Tax Commission retains funds from gasoline tax and special fuels tax receipts equal to the cost of collecting, administering, and enforcing the gasoline tax requirements. However, the amount cannot exceed the amount authorized to be expended by the legislature (gasoline: §63-2402 and §63-2405; special fuels: §63-2416 - §63-2417).				
<b>6. Seminars and Publications Fund</b>	110,400	0.3%	175,500	169,700
Fees, sales of educational materials, tax regulations and printed material, fees for copies, supplies, bad check charges, postage reimbursement, sales of maps, unclaimed property lists, sales to the public, etc.				
<b>7. Abandoned Property Trust - Unclaimed</b>	846,400	2.5%	829,000	856,300
The Unclaimed Property Fund receives money from: 1) Certain banking accounts. 2) Certain unclaimed funds that are owned and unpaid by life insurance companies for fifteen years. 3) Certain deposits and refunds payable by utilities for more than fifteen years. 4) Certain investment shares, funds, and interests. The State Tax Commission is required to maintain a record of the name and last known address of each person thought to own the property. The record is to be made available for public inspection at all reasonable business hours (§14-517).				
<b>8. Federal Grant Fund</b>	74,300	0.2%	0	0
The Tax Commission receives intermittent grants from the federal government for project-specific work.				
<b>Total</b>	<b>\$33,318,700</b>	<b>100.0%</b>	<b>\$32,642,300</b>	<b>\$34,275,900</b>

# Tax Commission

## Agency Profile

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Key Services Provided				
	FY 2003	FY 2004	FY 2005	FY 2006
1. Percent of revenue received electronically	44.8%	46.6%	47.2%	47.0%
2. Tax returns filed electronically	212,486	258,295	310,089	344,664
3. Tax returns processed	1,981,073	2,046,170	2,117,250	2,203,846
4. Revenues from Audits (in millions)	\$33.32	\$37.41	\$31.83	\$43.42
5. Revenues from Collections (in millions)	\$87.11	\$98.86	\$98.42	\$122.34
6. Tax Commission cost per dollar received	1.05 cents	1.01 cents	.96 cents	.94 cents
7. Walk-in customers during tax drive	8,533	9,768	11,670	11,583
8. Calls from taxpayers during tax drive	140,896	126,422	132,674	119,579
9. Refund status inquiries on website	23,788	28,859	56,504	56,435

Overall Activity Levels by Calendar Year		
	CY 2004	CY 2005
1. Telephone calls requesting service	239,557	259,549
2. Average wait for service	23 seconds	20 seconds
3. E-mails from tax practitioners	5,137	4,176
4. User sessions on website	894,007	1,015,537
5. Walk-in customers	18,820	24,420
6. Total money deposited	\$2,671,946,462	\$2,905,371,185
7. Refunds paid	\$164,248,218	\$167,357,366
8. Number of refunds	431,815	437,230

# State Tax Commission

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## Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2007 Original Appropriation</b>	<b>413.50</b>	<b>24,857,600</b>	<b>32,642,300</b>	<b>413.50</b>	<b>24,857,600</b>	<b>32,642,300</b>
Non-Cognizable Funds and Transfers	0.00	0	0	0.00	0	0
<b>FY 2007 Estimated Expenditures</b>	<b>413.50</b>	<b>24,857,600</b>	<b>32,642,300</b>	<b>413.50</b>	<b>24,857,600</b>	<b>32,642,300</b>
Removal of One-Time Expenditures	0.00	0	(1,792,800)	0.00	0	(1,792,800)
Base Adjustments	0.00	0	(12,000)	0.00	0	(12,000)
<b>FY 2008 Base</b>	<b>413.50</b>	<b>24,857,600</b>	<b>30,837,500</b>	<b>413.50</b>	<b>24,857,600</b>	<b>30,837,500</b>
Benefit Costs	0.00	510,900	625,600	0.00	0	0
Inflationary Adjustments	0.00	253,200	345,700	0.00	110,200	150,900
Replacement Items	0.00	173,900	274,600	0.00	173,900	274,600
Statewide Cost Allocation	0.00	229,600	246,000	0.00	229,600	246,000
Change in Employee Compensation	0.00	563,800	689,500	0.00	805,500	985,100
<b>FY 2008 Program Maintenance</b>	<b>413.50</b>	<b>26,589,000</b>	<b>33,018,900</b>	<b>413.50</b>	<b>26,176,800</b>	<b>32,494,100</b>
1. Configure Gen Tax Discovery Module	0.00	400,000	500,000	0.00	400,000	500,000
2. Reconcile W-2s	3.00	433,600	433,600	0.00	0	0
3. Software Maintenance	0.00	128,500	128,500	0.00	128,500	128,500
4. Copier Lease	0.00	40,000	40,000	0.00	40,000	40,000
5. Wine Direct Shipper Admin.	0.00	0	12,500	0.00	0	12,500
6. Administer Local Option Tax	0.00	0	112,400	0.00	0	112,400
7. Train County Tax Officials	0.00	0	30,000	0.00	0	30,000
<b>FY 2008 Total</b>	<b>416.50</b>	<b>27,591,100</b>	<b>34,275,900</b>	<b>413.50</b>	<b>26,745,300</b>	<b>33,317,500</b>
Change from Original Appropriation	3.00	2,733,500	1,633,600	0.00	1,887,700	675,200
% Change from Original Appropriation		11.0%	5.0%		7.6%	2.1%

# State Tax Commission

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2007 Original Appropriation</b>	413.50	24,857,600	7,784,700	0	32,642,300

## Non-Cognizable Funds and Transfers

Transfer one FTP and \$79,000 in personnel costs from Audit and Collections to General Services. This new position will coordinate and publish administrative rules. Also, transfer \$45,000 in General Fund operating expenditures from Audit and Collections to County Support to cover increased travel expenses due to increasing requests by counties wrestling with fast-rising property values. Efficiencies in the Audit and Collections Division allow these transfers between programs.

Agency Request	0.00	0	0	0	0
Governor's Recommendation	0.00	0	0	0	0

<b>FY 2007 Estimated Expenditures</b>					
Agency Request	413.50	24,857,600	7,784,700	0	32,642,300
Governor's Recommendation	413.50	24,857,600	7,784,700	0	32,642,300

## Removal of One-Time Expenditures

Remove one-time funding provided for FY 2007 as follows: \$282,500 for replacement items, \$174,000 to replace the backup tape library, \$582,900 for collections software and equipment, \$565,000 to enhance network security, \$6,000 for equipment for permanent employees that replaced contract labor, \$40,000 for a copier lease, \$30,000 for training equipment, and \$112,400 for one-time local option sales tax administrative services. Of the total, \$1,172,200 or 65% was from the Economic Recovery Reserve Fund.

Agency Request	0.00	0	(1,792,800)	0	(1,792,800)
Governor's Recommendation	0.00	0	(1,792,800)	0	(1,792,800)

## Base Adjustments

Remove \$12,000 in operating expenditures from the Seminars and Publications Fund. This reduction reflects the continued decline in revenues and related costs from the sale of printed regulations. These reductions occur as use of the Internet increases.

Agency Request	0.00	0	(12,000)	0	(12,000)
Governor's Recommendation	0.00	0	(12,000)	0	(12,000)

<b>FY 2008 Base</b>					
Agency Request	413.50	24,857,600	5,979,900	0	30,837,500
Governor's Recommendation	413.50	24,857,600	5,979,900	0	30,837,500

## Benefit Costs

Restores funding for one health insurance holiday taken in FY 2007. Also includes the employer-paid portion of estimated changes in employee benefit costs. The two biggest factors are health insurance rates and retirement rates. Health insurance is projected to increase by 4.9% or \$350 per position. Retirement rates are scheduled to increase by 5.9% from 10.39% to 11% of salary for regular employees and by 5.7% from 10.73% to 11.34% of salary for police and firefighters. Other benefit changes include minor adjustments in unemployment insurance rates and workers compensation rates.

Agency Request	0.00	510,900	114,700	0	625,600
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*The Governor recommends that all health insurance related adjustments be funded by program changes or utilizing reserves available in the group insurance contract. As the PERSI Board voted to maintain the current contribution rate for the upcoming fiscal year, no adjustment to retirement rates is necessary.*

Governor's Recommendation	0.00	0	0	0	0
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## Inflationary Adjustments

This customized inflationary adjustment is a 4.4% increase over the base. It is calculated by subtracting statewide allocation plan costs and applying a 1% increase for all remaining operating costs except a 25% increase for fuels and lubricants, a 6% increase for postage, a 5% increase for repair and maintenance services, a 5% increase for computer services, a 5% increase for employee travel costs, and an 8% increase for rentals and operating leases.

Agency Request	0.00	253,200	92,500	0	345,700
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*Inflationary increases are provided only for contractual obligations such as leased space costs. Other inflationary requests are not recommended.*

Governor's Recommendation	0.00	110,200	40,700	0	150,900
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# State Tax Commission

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
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## Replacement Items

Replacement items include \$72,000 for vehicles, \$20,000 for motor vehicle leases, and \$182,600 for computer equipment for a total of \$274,600 of which \$173,900 or 63% is from the General Fund, \$79,300 or 29% is from Administration for Transportation Fund, \$17,600 or 6% is from the Multistate Tax Compact Fund, and \$3,800 or 2% is from the Abandoned Property Trust Fund. [\$20,000 ongoing]

Agency Request	0.00	173,900	100,700	0	274,600
Governor's Recommendation	0.00	173,900	100,700	0	274,600

## Statewide Cost Allocation

This decision unit includes adjustments for services provided by state agencies as follow: \$119,700 for Attorney General fees, \$76,800 for State Controller fees, \$49,000 for State Treasurer fees, and \$500 for property and casualty insurance premiums.

Agency Request	0.00	229,600	16,400	0	246,000
Governor's Recommendation	0.00	229,600	16,400	0	246,000

## Change in Employee Compensation

Reflects the calculated cost of a 3.5% salary increase for permanent and group positions. Of the total, 82% is from the General Fund.

Agency Request	0.00	563,800	125,700	0	689,500
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*The Governor recommends a compensation increase of 5% to be distributed based on merit.*

Governor's Recommendation	0.00	805,500	179,600	0	985,100
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## FY 2008 Program Maintenance

Agency Request	413.50	26,589,000	6,429,900	0	33,018,900
Governor's Recommendation	413.50	26,176,800	6,317,300	0	32,494,100

### 1. Configure Gen Tax Discovery Module

### General Services

The agency requests outside vendor (FAST Enterprises) computer programming assistance to configure the GenTax Discovery Module for Idaho. This software will enhance the productivity of the Tax Discovery staff and provide better audit tools to the auditors. The module will make tax collection data more accessible to staff allowing them to select the best cases for further review, thereby spending their time on the most productive cases. The objective is to make sure that all taxpayers file and pay their fair share of taxes. It will also provide reporting and sorting tools to allow the agency to more quickly and accurately respond to requests for information from the Governor and Legislature. The agency projects additional revenue to be generated by this project "conservatively" at \$500,000 per year, thereby paying for the project within one year. Funding is 80% General Fund, 5% Multistate Tax Compact Fund, 10% Administration support for transportation, and 5% Unclaimed Property Fund. [One-time]

Agency Request	0.00	400,000	100,000	0	500,000
Governor's Recommendation	0.00	400,000	100,000	0	500,000

### 2. Reconcile W-2s

### Revenue Operations

The agency requests funding to do 100% reconciliation of wage and tax statements between the copies provided by the employers to the Tax Commission and those attached to the individual income tax returns. Employer payments totaled over \$939.7 million in FY 2006. Employees attach over one million wage and tax statements with their returns. Although an increasing number are being submitted electronically, there has never been a 100% reconciliation of all wage and tax statements. The lack of reconciliation provides criminals with the opportunity to prepare fictitious wage and tax statements and file fraudulent income tax returns for refund. During FY06 the commission stopped about 197 fraudulent returns but likely paid some fraudulent refund claims. The Commission estimates perhaps \$600,000 in fraudulent claims can be prevented each year. The request includes \$68,900 salary and \$42,200 benefits for three full-time Technical Record Specialist's (pay grade 32) and \$3,300 for seasonal data entry operators budgeted for 300 hours. The request includes \$7,500 for ongoing office supplies, postage, and telephone costs, \$295,400 for one-time software costs, \$8,500 for annual software maintenance costs, and \$2,600 per permanent employee for personal computers, telephones, and office equipment. [\$303,200 one-time]

Agency Request	3.00	433,600	0	0	433,600
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*Not recommended by the Governor.*

Governor's Recommendation	0.00	0	0	0	0
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# State Tax Commission

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>3. Software Maintenance</b>					<b>General Services</b>
Last session the legislature approved three line items to improve operations, but the funding for the General Fund portion of the ongoing software maintenance was eliminated. This request covers those expenses which will be incurred in FY 2008 related to the operations of these three projects. The software maintenance request is \$33,800 for the tape library, \$31,100 for the imaging project, and \$63,600 for network security for a total of \$128,500. [Ongoing]					
Agency Request	0.00	128,500	0	0	128,500
<i>The Governor Recommends one-time funding.</i>					
Governor's Recommendation	0.00	128,500	0	0	128,500
<b>4. Copier Lease</b>					<b>General Services</b>
The agency's six-year lease on a production copier/printer expired at the end of June 2006 and only \$10,000 (dedicated) of the \$50,000 approved last session was ongoing. This request is for the remaining \$40,000 in ongoing funding for the copier lease. The machine produces tax forms, 1099 forms, brochures, training manuals, and other mass-produced publications for the Tax Commission. It is cheaper to produce these materials internally than to hire outside vendors for printing. [Ongoing]					
Agency Request	0.00	40,000	0	0	40,000
<i>The Governor recommends one-time funding.</i>					
Governor's Recommendation	0.00	40,000	0	0	40,000
<b>5. Wine Direct Shipper Admin.</b>					<b>Revenue Operations</b>
HB 454 of 2006 required direct shippers of wine into Idaho to register and pay a \$50 fee to obtain a license. This fee is split 50/50 with the Idaho State Police. The Tax Commission estimates that each agency will receive \$12,500 (500 applications time \$25 for each agency). Temporary workers budgeted at \$8,000 will be used to handle the extra workload in Revenue Operations. Standard office supplies, telephone costs, postage and mailing costs will be needed and are budgeted at \$4,500. [Ongoing, Administration and Accounting Fund]					
Agency Request	0.00	0	12,500	0	12,500
Governor's Recommendation	0.00	0	12,500	0	12,500
<b>6. Administer Local Option Tax</b>					<b>Gen. Services, Audit &amp; Collections, Revenue Operations</b>
Idaho law allows any county which has levied a local option sales tax to contract with the Tax Commission for the collection of the taxes. Nez Perce county passed a qualifying tax that went into effect in October of 2004 and is scheduled to expire in October 2014. The county has contracted long-term with the Tax Commission to administer the tax for them. This request seeks spending authority for fees withheld from collections in the amount of \$112,400 of which \$52,200 is in personnel costs, \$57,400 is in operating expenditures, and \$2,800 is in capital outlay for computer disc space. This is split \$18,000 for General Services, \$12,200 for Audit and Collections, and \$82,200 for Revenue Operations. There is no ongoing spending authority in the base because previous requests have been treated as one-time. [All but \$2,800 is ongoing, Administration and Accounting Fund]					
Agency Request	0.00	0	112,400	0	112,400
Governor's Recommendation	0.00	0	112,400	0	112,400
<b>7. Train County Tax Officials</b>					<b>County Support</b>
The tax policy bureau of the County Support Division requests additional spending authority from the Seminars and Publications Fund to purchase training equipment. The County Support program provides education to individuals who have oversight of property tax issues including county assessors, county staff, and County Commissioners. Registrants are charged fees based on a per hour charge. The \$30,000 from the dedicated Seminars and Publications Fund will be used for the purchase of new computer equipment for appraisal schools. [One-time]					
Agency Request	0.00	0	30,000	0	30,000
Governor's Recommendation	0.00	0	30,000	0	30,000
<b>FY 2008 Total</b>					
Agency Request	416.50	27,591,100	6,684,800	0	34,275,900
Governor's Recommendation	413.50	26,745,300	6,572,200	0	33,317,500



# State Tax Commission

Analyst: Houston

<b>Budget by Decision Unit</b>	<b>FTP</b>	<b>General</b>	<b>Dedicated</b>	<b>Federal</b>	<b>Total</b>
<i>Agency Request</i>					
Change from Original App	3.00	2,733,500	(1,099,900)	0	1,633,600
% Change from Original App	0.7%	11.0%	(14.1%)		5.0%
<i>Governor's Recommendation</i>					
Change from Original App	0.00	1,887,700	(1,212,500)	0	675,200
% Change from Original App	0.0%	7.6%	(15.6%)		2.1%